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SUBJECT: WORLD GRAIN FORUM IN ST.PETERSBURG  
CONCLUDES WITHOUT DECLARATION

SENSITIVE BUT UNCLASSIFIED

¶1. (SBU) SUMMARY: On June 6-7 the Government of the Russian Federation hosted its first World Grain Forum in St. Petersburg. With approximately 1,500 representatives from over 40 countries ranging from Agriculture Ministers to grain industry experts the forum focused on the role of grain production in global food security. Despite the concrete call from the Russians for a harmonized grain policy, the forum was more conceptual and concluded without any tangible declarations. END SUMMARY.

¶2. (SBU) The President of the Russian Federation Dmitry Medvedev and First Deputy Prime Minister Viktor Zubkov opened the forum on Saturday afternoon. While Minister of Agriculture Yelena Skrynnik participated in the plenary with eight other panelists, she took second chair to German Gref, President and Chairman of the Board of Sberbank and previous Russian Minister of Economic Trade and Development, who moderated the session. The previous Agriculture Minister, Alexei Gordeyev, would never have accepted a secondary role to Gref as the two historically clashed over agricultural trade policy. Mr. Gref displayed a fluency in English and masterfully moderated the 2.5-hour session which President Medvedev attended throughout.

¶3. (U) In the President's remarks he identified solving the problems in the grain market (unstable prices) as the most effective way to ensure food security. The President called for a global mechanism to overcome the imbalance in supply and demand. Medvedev declared that, "We need to ensure that exporters coordinate their programs in order to maintain reasonable prices in the grain markets. In fact, we can consider the formation of a new policy on grain production and international trade in grain." In the course of the forum Skrynnik repeatedly echoed the need for more coordination and voiced her willingness to unite grain production policy with Ukraine and Kazakhstan and articulated her desire to expand Black Sea exports in Asia.

¶4. (SBU) In the breakout sessions that followed, neither the Minister of Agriculture from Kazakhstan nor the Deputy Minister from Ukraine voiced support or opposition to a Black Sea grain cartel, however industry representatives were extremely skeptical about either countries' desire and ability to limit private traders' participation in the market. The opposition to any kind of grain reserve (virtual and/or physical) was more forceful. The consensus of experts in several breakout sessions was that in-kind international grain reserves are impossible to manage in practice. Based on the experiences of the 1970's, private traders, leaders of international organizations, and academics agreed that international mechanisms to coordinate grain supply and demand will not work.

¶5. (U) During the breakout session on innovations and biotechnology, the Brazilian Minister of Agriculture described the benefits of biotech crops and the development of biofuel from sugar cane molasses. Other speakers, including the COO of Syngenta, professors from the USA and China, and the Deputy President of UK's National Farmers Union, spoke about the benefits of biotechnology and other new technologies for farmers. U.K.'s representative complained that the nature saving approach that prevails in the U.K. hampers the development of British agriculture.

¶6. (SBU) On Saturday morning, June 6, approximately 15 ministers of agriculture

including those from Russia, Brazil, Germany, Pakistan, and Turkey and other selected heads of delegations attended a meeting and lunch hosted by Deputy Prime Minister Zubkov. They listened to a presentation by Wayne Jones of OECD on the global economic crisis and its effects on food security worldwide which was followed by a roundtable discussion led by Mr. Zubkov himself. Noticeably absent was any consensus among ministers for coordinated policy and market intervention. It was also noteworthy that although Minister Skrynnik attended and sat at the right hand of Mr. Zubkov, she did not say one word during the 1.5 hour meeting. Skrynnik's lack of leadership may be a window into the motivations for her appointment and her future role in the formation of Russia's agricultural policies.

¶7. (U) The U.S. delegation was led by the Administrator of the Foreign Agriculture Service (FAS), Michael Michener. In addition to leading the delegation, Mr. Michener was invited to be a member of the food aid panel where he presented the U.S. positions on food aid, agricultural development, and biotechnology. Other members of the panel included David Nabarro, Assistant Secretary General in the United Nations; Nicole Menage and Chris Moore of the United Nations World Food Program; and Klaus Rohland, Country Director for the World Bank in Russia. In response to a question about the safety of biotech grain for food aid, Mr. Michener stated that it is the responsibility of all governments to inform their citizens on the science and safety of biotech products, much as it is their responsibility to inform on the science concerning global climate change.

¶8. (SBU) COMMENT: The forum may have fallen short of its initial ambitions. It has been a long standing goal of the Russian Agriculture Ministry to form a global grain cartel, effectively expanding its sphere of market

influence in oil and gas to include grain. The Russians have unsuccessfully proposed "a harmonized grain production policy" numerous times bilaterally with the U.S., Canadians, and others. However, at the June 2008 G8 meeting, President Medvedev seized the opportunity created by the global food crisis to propose the idea of the grain forum under the guise of food security. Currently Russia is the third largest wheat exporter and has 20 million hectares of land currently laying fallow (11-13 million hectares non-marginal). With substantial investment in infrastructure (storage, transportation, and ports) and technology, Russia does have the long-term potential to rival the U.S. in wheat production and exports. END COMMENT

¶9. (U) FAS Administrator Michael Michener has cleared this cable.

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